

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EB-07 SS-15 L-03 INR-07 SP-02 EAE-00

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P 190958Z APR 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 3900

C O N F I D E N T I A L JAKARTA 5084

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E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: GOI-STANVAC SITUATION

1. IN MIDST OF LAST WEEK'S GOI NEGOTIATIONS WITH CALTEX, STANVAC ALSO RECEIVED LETTER FROM MINESMIN SADLI REQUESTING ADDITIONAL PAYMENT OF \$1.00 PER BARREL. STANVAC, WHICH OPERATES UNDER CONTRACT OF WORK SOMEWHAT DIFFERENT FROM CALTEX'S, HAD NOT BEEN DIRECTLY INVOLVED IN FORMAL DISCUSSIONS WITH GOI PREVIOUSLY.

2. STANVAC DEPUTY RESIDENT MANAGER, JAMES FENDER, PROVIDED EMBOFF WITH FOLLOWING BACKGROUND ON HOW PRESENT CIRCUMSTANCES AROSE. HE SAID STANVAC SHAREHOLDERS, EXXON AND MOBIL, HAD ELECTED EARLY ON IN DISCUSSIONS NOT TO BECOME DIRECTLY INVOLVED IN GOI TALKS WITH OIL COMPANIES. INSTEAD, THEY LEFT MATTERS IN HANDS OF LOCAL STANVAC OFFICE WHICH PERIODICALLY CHECKED WITH WIJARSO. LAST SUCH SESSION TOOK PLACE IN LATE MARCH. ALTHOUGH COMPANY WAS AWARE OF CALTEX'S SITUATION AND ITS OBVIOUS IMPLICATIONS ON STANVAC, GOI HAD LED STANVAC TO BELIEVE THAT ITS DIFFERENT SITUATION (DECLINING PRODUCTION, ETC.) WOULD REQUIRE SEPARATE DISCUSSIONS WITH GOI.

3. AS APRIL 15 DEADLINE APPROACHED, STANVAC CONVINCED HOME OFFICES THAT MORE ACTIVE APPROACH WAS NEEDED. ON  
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APRIL 14, STANVAC SENT LETTER TO SADLI REQUESTING

OPPORTUNITY TO OPEN FORMAL DISCUSSIONS ABOUT GOI'S DESIRE FOR ADDITIONAL PER BARREL REVENUE. SADLI REPLIED SAME DAY WITH LETTER THAT STATED: "YOUR PROPOSAL CONTAINED IN THE ENCLOSURE OF SAID LETTER CANNOT BE ACCEPTED...P.T. STANVAC INDONESIA IN COMPLYING WITH ITS OBLIGATION SHOULD SUBMIT TO PERTAMINA FOR THE FIRST QUARTER 1976 AND FURTHER ON PAYMENTS BASED ON AN ADDITIONAL PAYMENT OF U.S. \$1.00 PER BARREL ON CRUDE OIL PRODUCED. IT IS THE GOVERNMENT'S REQUEST THAT THE ABOVE MATTER BE INCORPORATED IN AN AGREEMENT WITHIN A SHORT TIME."

4. FENDER INDICATED THAT COMPANY HAD ALREADY MADE ITS QUARTERLY PAYMENT ON BASIS REGULAR TERMS BEFORE SADLI'S REPLY WAS RECEIVED. HE SAID "STANVAC ALWAYS PAYS EARLY", AND STRESSED THAT PAYMENT WAS MADE IN GOOD FAITH. STANVAC FEELS SADLI MISINTERPRETED COMPANY'S APRIL 14 LETTER WHICH WAS NOT INTENDED TO BE REGARDED AS FORMAL "PROPOSAL" BUT ONLY AS EXPRESSION OF WILLINGNESS TO BEGIN DISCUSSIONS WITH GOI. STANVAC PLANNING TO SUBMIT FOLLOW-UP LETTER, WITH CLEARANCE FROM EXXON-MOBIL HOME OFFICES, REITERATING ITS DESIRE TO MEET WITH GOI. COMPANY IS AWAITING RETURN OF WIJARSO, WHO IS PRESENTLY IN JAPAN, BEFORE PROCEEDING ANY FURTHER.

5. COMMENT: STANVAC, WITH CURRENT PRODUCTION OF ABOUT 40,000 B/D, IS IN DIFFERENT CASH-FLOW SITUATION THAN CALTEX. STANVAC FIELDS ARE NEARLY PLAYED OUT AND PRODUCTION HAS DECLINED STEADILY SINCE 1973. COMPANY FULLY AWARE OF CURRENT POLITICAL ATMOSPHERICS SURROUNDING GOI'S ATTEMPT OBTAIN GREATER REVENUE AND INTENDS TO PROCEED CAUTIOUSLY. THEY BELIEVE, HOWEVER, THEIR POSITION JUSTIFIES DIFFERENT TREATMENT FROM GOI. END COMMENT.  
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## Message Attributes

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